

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 IO-11 OIC-02 EUR-12 /100 W

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1694

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USADB

FOR NAC AGENCIES

PASS TREASURY FOR ZINMAN

E.O. 11652: ADS, DECLAS. 4/30/76

TAGS: EAID, EFIN

SUBJECT: REVIEW OF BANK'S RESOURCE POSITION AND PROPOSAL FOR
INCREASE IN BANK'S CAPITAL STOCK

REF: MANILA 1170

1. AT MEETING 27 JANUARY, ADB BOARD OF DIRECTORS
DECIDED TO POSTPONE DISCUSSION OF THIS SUBJECT TO
FEBRUARY 12 SINCE DONOR COUNTRY DIRECTORS INDICATED THEY
HAD NOT RECEIVED INSTRUCTIONS FROM THEIR RESPECTIVE GOVTS.
AND HAD NOT RECEIVED COMMENTS OR QUESTIONS ON THE THREE
WORKING PAPERS. ADB PRESIDENT EXPRESSED HOPE THAT MAJOR
DONORS, ESPECIALLY U.S., WOULD BE ABLE TO INDICATE THEIR
POSITIONS SOON SO THAT A DRAFT RESOLUTION CAN BE SUBMITTED
TO THE BOARD OF GOVERNORS AT ANNUAL MEETING IN APRIL.
MEANWHILE, ADB PRESIDENT SAID STAFF IS PREPARED TO

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ANSWERS QUESTIONS.

2. SINCE DISCUSSION WAS POSTPONED, ADB PRESIDENT SAID THAT HE WOULD LIKE TO COMMENT ON BELGIUM REQUEST FOR A STUDY ON USE OF PAID-IN NON-CONVERTIBLE CURRENCIES FOR PROJECT LOANS. FIRST, HE EXPLAINED THAT SINCE USE OF THESE CURRENCIES TO PURCHASE GOODS AND SERVICES FOR ANOTHER DMC AMOUNTS TO A ONE-WAY TRANSFER OF REAL RESOURCES AND POSSIBLY INCUR FOREIGN EXCHANGE COSTS FOR INPUTS, SOME DMCS HAVE EXPRESSED THEIR INTENTION TO INVOKE ARTICLE 24.2 TO RESTRICT USE OF THEIR CURRENCIES TO PURCHASE OF GOODS AND SERVICES FOR USE IN THEIR OWN TERRITORIES. IN CONSEQUENCE, ADB PRESIDENT CONCLUDED THAT USE OF THESE CURRENCIES TO PROMOTE INTER-DMC TRADE DOES NOT APPEAR TO BE MUTUALLY BENEFICIAL. SECOND, THE USE OF THESE CURRENCIES FOR PROJECT COTS WITHIN RESPECTIVE TERRITORIES OF DMCS WOULD SIMPLY MEAN A HIGHER PROPORTION OF LOCAL COUNTER-PART PROJECT FINANCING THAT WOULD REQUIRE INTEREST PAYMENTS IN SAME CURRENCY. ADB PRESIDENT EXPLAINED THAT IN EITHER CASE, USE OF THESE CURRENCIES TO FINANCE BANK PROJECTS WOULD BE QUOTE COSMETIC UNQUOTE SINCE THERE WOULD BE NO TRANSFER OF RESOURCES.

3. ADB PRESIDENT ADDED THAT SINCE HE HAS HAD DISCUSSIONS WITH U.S. AUTHORITIES ON THIS SUBJECT DURING HIS RECENT WASHINGTON VISIT, HE WONDERED WHETHER IN VIEW OF HIS EXPLANATIONS, A BOARD WORKING PAPER WOULD BE NEEDED.

4. KOREAN DIRECTOR STRONGLY OPPOSED DISTRIBUTION OF A BANK WORKING PAPER ON THIS SUBJECT BECAUSE BY ITS WIDE OFFICIAL DISTRIBUTION IT COULD RAISE QUESTIONS ON AN ISSUE WHICH HAS BEEN SETTLED AND COULD ADVERSELY INFLUENCE DISCUSSION OF CAPITAL INCREASE AND FOCUS ON TRANSFER OF RESOURCES TO DEVELOPING MEMBER COUNTRIES.

5. FRENCH DIRECTOR INSISTED THAT BELGIAN GOVT REQUEST FOR INFORMATION ON THIS SUBJECT BE HONORED BUT, UNDER THE CIRCUMSTANCES, WOULD ACCEPT A BANK MEMORANDUM RATHER THAN AN OFFICIAL BOARD WORKING PAPER. LIMITED OFFICIAL USE

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